

TEKOA SCHOOL DISTRICT No. 265
Whitman County, Washington
September 1, 1994 Through August 31, 1995

Schedule Of Findings

1. The District Should Implement Procedures To Ensure Staff Mix Is Accurately Reported

Our audit of the Legislative Evaluation and Accountability Program (LEAP) placement for certificated personnel disclosed incorrect reporting of eligible credits earned.

We tested personnel files of five certificated employees for eligible credits earned and years of experience. Four of the five records tested contained errors in the calculation of eligible credits earned. One of the errors noted affected the LEAP placement of the employee. We found five courses taken were recorded with the grade achieved instead of the course credits.

Staff mix factors are an integral part of the state funding formula for school districts. The factors are determined by each individual's educational training and professional experience as of October 1 of each year and assigning to them on this basis the appropriate staff mix factor from the LEAP table.

WAC 392-121-270 states in part:

Each certificated instructional employee with a degree shall be placed on the statewide salary allocation schedule and on LEAP Document 1 based on the employee's years of experience, highest degree level, and total eligible credits as defined in this chapter.

District officials were unaware of the errors in reporting of staff mix factors to the Superintendent of Public Instruction (SPI).

We recommend the school district correct all staff mix factors reported to SPI, notify SPI of the errors, and then review all certificated personnel files to ensure that information is current and correct.

2. Coordination Of Enrollment Between Tekoa School District And The Spokane Skills Center Needs To Be Improved

Spokane Skills Center is a cooperative activity of several schools districts within Spokane County for which Spokane School District No. 81 is the host. Our review of Spokane Skills Center enrollment records disclosed discrepancies when compared to Tekoa School District's records. The error noted was over claiming of full-time-equivalents for participating students.

Revised Code of Washington 28A.150.400 and the *Washington Administrative Codes* thereunder require the district to maintain appropriate records which substantiate the accuracy of the district's computations for full-time-equivalent (FTE) student enrollment.

Washington Administrative Codes 392-121-122 defines a full-time-equivalent student.

(e) Secondary (grades 7-12): 25 hours per week, or 5 hours (300 minutes) each scheduled school day.

A student cannot be claimed for more than 1.0 FTE. Based on our testing of all the participating districts, most students were being claimed in combination by the Spokane Skills Center and the resident district as 1.2 FTE. Because we only reviewed a sample of enrollment records, we did not determine a dollar impact of these discrepancies.

We recommend that district officials, in coordination with the Spokane Skills Center, implement written policies and procedures which will ensure the accurate reporting of student enrollment at Tekoa School District and the Spokane Skills Center.

3. Controls Over Enrollment Reporting Should Be Improved

The district does not have an adequate internal control system to ensure the accuracy of the Enrollment Report submitted to the Superintendent of Public Instruction (SPI). Our review of enrollment reporting found the district overreported a total of three students. This is a total amount of \$2,153.40.

The error occurred when the school enrollment count was input into the electronic reporting system for SPI. There was no procedure to verify the input.

The enrollment reports are an integral part of the state funding formula for school districts. If these reports are not submitted accurately, SPI cannot distribute basic and special education funds in accordance with legislative intent and requirements.

We recommend that the district review and verify the enrollment reports to ensure that the enrollment is reported accurately.

4. The District Should Improve Internal Controls Over Payroll Accounting Functions

The district does not have an adequate internal control system to properly account for and monitor the payroll accounting function. During our audit we noted the following conditions and weaknesses in the payroll accounting system:

- a. The district has approximately 45 employees. Payroll records for 29 employees had errors during the 1994-95 fiscal year when accounting records were compared to detailed payroll documents; such as employee contracts, time and attendance records, leave records, and employee benefits records. These errors resulted in both the overpayment and underpayment of wages to employees.
- b. Leave records were not maintained to accurately reflect leave balances of employees. This was caused by the failure to properly record the time documented on leave slips as submitted by the employees.
- c. Another employee was paid for time not worked. The substitute, who is the employee's spouse, was not paid for time worked. This condition occurred on several occasions. This resulted in the employees' benefits not being reported to the proper state and federal agencies for the respective employees.
- d. The hours paid to hourly employees were estimated at the beginning of the fiscal year. Adjustments were not properly made in each subsequent payroll period to reflect the actual hours worked for each employee. This condition resulted in both the overpayment and underpayment of wages to employees.
- e. One employee's monthly payroll deduction for contribution to an annuity was not remitted to the plan administrator for eight months. This resulted in the employee incurring a loss of interest income on the annuity for the eight month period.
- f. Several manual warrants were issued without the knowledge of the superintendent or the board of directors. This was accomplished by unauthorized use of the superintendent's signature stamp. These warrants were replacement warrants or corrected warrants for prior warrants issued in error.

Inadequate internal control policies allowed for increased occurrence of errors and omissions. The lack of adequate internal controls greatly increases the potential for misappropriation to occur and not be detected.

Section III-G-1 of the *Accounting Manual for Public School Districts in the State of Washington* states in part:

An internal control system . . . (should) ensures that resource use is consistent with law, regulation, and policy; that resources are guarded against waste, loss, and misuse; and that reliable data are obtained, maintained, and fairly disclosed in reports.

The district had procedures to provide for proper accounting of payroll expenditures and leave accrual and usage. The conditions resulted, in part, from the business manager's failure to follow district policies and procedures. In addition, there was inadequate supervisory review of the business manager's duties. District management was unaware that the conditions existed until fiscal year 1995-96.

We recommend that the district enforce the policies and procedures and perform supervisory review over payroll functions.

5. The District Should Improve Controls Over Journal Vouchers

During our review we found that the district processed an unusually large number of journal vouchers. These journal vouchers were necessary to make account coding corrections due to errors in the initial input data for the district's revenues and expenditures. In addition we noted the following weaknesses in the internal control structure for preparing and processing journal vouchers:

- a. Some journal vouchers could not be located at the district office for our review.
- b. Most journal vouchers did not indicate the purpose, accounting fund, date, preparer, and were not approved. Due to the lack of documentation we were unable to ascertain the purpose and validity of the journal vouchers.

Inadequate internal controls may allow for the recording of inaccurate reporting of financial information. The district relies on accurate financial information to make sound management decisions.

Section III-G-1 of the *Accounting Manual for Public School Districts in the State of Washington* states in part:

An internal control system . . . (should) ensures that resource use is consistent with law, regulation, and policy; that resources are guarded against waste, loss, and misuse; and that reliable data are obtained, maintained, and fairly disclosed in reports.

We recommend the district establish policies and procedures to ensure the proper preparation and recording of journal vouchers.

TEKOA SCHOOL DISTRICT No. 265
Whitman County, Washington
September 1, 1994 Through August 31, 1995

Schedule Of Federal Findings

1. Payroll Charges To Federal Programs Should Comply With Federal Regulations

Certain payroll expenditures for the Department of Education ESEA Chapter 1 Program (CFDA 84.010) did not comply with federal regulations. The district did not consistently apply its procedures to compare actual time expended to time charged. We found that the actual time for one employee was 8 percent less than the time charged for the entire fiscal year. The program was overcharged \$4,679. For another employee Chapter 1 was charged \$2,483 for salaries and benefits. There were no time and effort reports for this employee.

The U.S. Office of Management and Budget (OMB) Circular A-87, *Cost Principles Applicable to State and Local Governments*, establishes standards for documentation and allowability of costs charged to federal grant programs. Among these standards are:

- a. Salaries and wages of employees chargeable to more than one grant program or other cost objective must be supported by appropriate time distribution records.
- b. The method used should produce an equitable distribution of time and effort.

Without a reliable system that meets the federal requirements, the district cannot assure that payroll costs charged to the Chapter 1 program are for services provided to the program.

We recommend the district implement a time reporting system that complies with OMB Circular A-87 for all federal programs that are charged through payroll.